
APPROVED:

DATE:

Procedure No. 5-07
AUDIT REPORTING

Purpose

To define the general process of reporting audit results from the finding to the final audit report in accordance with Government Auditing Standards. .

Background

- A. A finding consists of five elements: criteria, which is a law, policy, or ideal; condition, a situation which differs from criteria; cause, the reason for the difference; effect, the results of the condition; and recommendations, cost effective solutions to remedy the condition. The auditor is responsible for documenting the elements of each finding with a Finding Development Sheet.
- B. The Office uses an Audit Results report format to report the results of each audit or special study. The format is organized as follows: transmittal letter, title page, table of contents, executive summary, introduction, scope and methodology, background, audit results and recommendations, other pertinent information (OPI) if applicable, agency response, and appendices. The audit results component of the report describes each finding in detail. This component generally includes a descriptive title, a “punch paragraph” summarizing the elements of the finding, an in-depth description of the finding elements, a conclusion, and the recommendation(s).
- C. Final audit reports are first distributed to the City Council, then the City Administration, and finally to the press. In addition, the final reports are distributed to other interested parties as applicable. Furthermore, final audit reports are placed in electronic format on the City Auditor’s website on the day the report is issued. Finally, additional reports are distributed as requested.

Procedures

The following ten sections detail the procedures for the various stages of the Audit Reporting Process. Audit staff should complete Form 5-07A: Objective Z: Report Writing, Processing, And Quality Control, to ensure adherence to these procedures.

- 1) Finding Development Worksheets
- 2) Pre-Draft Conference – Punch Paragraphs
- 3) Audit Report Draft to the City Auditor
- 4) Preliminary Draft to Auditee
- 5) Exit Conference
- 6) Revised Draft to City Auditor
- 7) Draft Report to Auditee
- 8) Draft Report Conference (If requested)
- 9) Auditee/City Manager Response
- 10) Final Report

Section 1) Procedure: FINDING DEVELOPMENT WORKSHEETS (Milestone M-22)

Purpose

To ensure that the audit findings include sufficient, competent, and relevant information to promote adequate understanding of the matters reported and to provide convincing but fair presentations in proper perspective.

Background

The five elements of an audit finding are:

- 1) Condition (The existing situation, and whether isolated or widespread);
- 2) Criteria (What should be?);
- 3) Effect (In terms of cost, adverse performance, or other factors – none, small, or large? What is the impact in services, dollars, or people?);
- 4) Cause (Who? Why?);
- 5) Recommendation (What should be done? Who should do it? When should it be done?)

Procedure

Audit Staff	1. As the audit progresses, prepare finding development worksheets (See Form No. 5-07G). 2. At the end of the Fieldwork Phase II (Evidence Gathering), complete all the elements of each finding development worksheet. Include appropriate background information that readers need to understand the findings. 3. Submit the finding development worksheets to the Supervising Auditor and the City Auditor.
Supervising Auditor and City Auditor	4. Review and approve the finding development worksheets.
Audit staff	5. Label, number, and file the finding development worksheets in the audit workpapers.

Section 2) Procedure: PRE-DRAFT CONFERENCE – PUNCH PARAGRAPHS (Milestone M-23)

Purpose

To develop the punch paragraphs and the audit report outline based on the audit findings.

Background

The Pre-draft Conference occurs at the end of the audit fieldwork, after the audit staff completes the finding development worksheets. During the pre-draft conference, the City Auditor discusses audit findings with the Supervising Auditor and the audit staff and formulates the strategy for the report-writing phase of the audit project.

Punch paragraphs are the lead paragraphs of the audit report that will normally comprise the audit report's Executive Summary. The punch paragraphs summarize the issues to be addressed in the body of the audit report. The City Auditor writes the punch paragraphs based on the finding development worksheets the audit staff submitted at the end of the audit fieldwork.

Procedure

City Auditor, Supervising Auditor, and Audit Staff	1. Hold the pre-draft conference to discuss the finding development worksheets and formulate the strategy for the report-writing phase of the audit project.
City Auditor	2. Write the punch paragraphs based on the finding development worksheets the audit staff submitted at the end of the audit fieldwork.
Audit Staff	3. Prepare an audit report outline based on the punch paragraphs provided by the City Auditor. 4. File the punch paragraphs and audit report outline in the audit workpapers.

Section 3) Procedure: AUDIT REPORT DRAFT TO THE CITY AUDITOR (Milestone M-24)

Purpose

To provide guidelines to the audit staff in writing the audit report draft.

Background

The audit report draft develops the details of the punch paragraphs the City Auditor provided. In writing the report draft, the audit staff uses the audit evidence reported in the finding development worksheets. The discussions should contain all the relevant elements of the audit findings (i.e., condition, criteria, effect, cause, and recommendation.)

The audit staff should report conclusions when called for by the audit objectives. Conclusions are logical inferences about the program based on the auditors' findings. Conclusions should be specified and not be left to be inferred by readers. The strength of the auditors' conclusions depends on the persuasiveness of the evidence supporting the findings and the logic used to formulate the conclusions.

- (1) Write the audit report draft to expound on the punch paragraphs the City Auditor provided and ascertain that the report complies with audit reporting standards. Specifically, the report should include:
 - A statement of the Audit Objectives, Scope and Methodology.
 - A conclusion for each audit objective;
 - A statement of omission of any privileged or confidential information;
 - Status of uncorrected findings and recommendations from prior audits;
 - Statement of audit scope impairments;
 - Statement that the audit was made in accordance with generally accepted government audit standards;
 - Applicable audit standard that have not been followed;
 - Significant instances of noncompliance;
 - Significant internal controls that were assessed, the scope of the auditor's assessment work, any significant weaknesses found during the audit, and significant issues requiring further study.
- (2) Indicate the workpaper references on the margin of the audit report draft.
- (3) Submit the completed audit report draft with the workpaper references to the Supervising Auditor.
- (4) Submit a clean copy of the audit report draft (no workpaper references) to the City Auditor.
- (5) Find out from the City Auditor whether the draft report (or sections thereof) should be referred to the City Attorney for legal review.

Procedure

Audit Staff	<ol style="list-style-type: none">1. Write the audit report draft to expound on the punch paragraphs the City Auditor provided and ascertain that the report complies with audit reporting standards.2. Indicate the workpaper references on the margin of the audit report draft.3. Submit the completed audit report draft with the workpaper references to the Supervising Auditor.4. Submit a clean copy of the audit report draft (no workpaper references) to the City Auditor.
Supervising Auditor and City Auditor	<ol style="list-style-type: none">5. Review the audit report draft and note any corrections on the audit report draft.6. Determine whether the draft report (or sections thereof) should be referred to the City Attorney for legal review.
Audit Staff	<ol style="list-style-type: none">7. Make the audit report draft changes approved by the City Auditor.8. File the audit report draft, including the corrections approved by the City Auditor.

Section 4) Procedure: PRELIMINARY DRAFT TO AUDITEE (Milestone M-27)

Purpose

To provide the auditee the opportunity to review the audit report draft and prepare a response to the audit findings and recommendations.

Background

The audit report draft submitted to the auditee should be as complete as possible, with all the statements of facts, opinions, and conclusions referenced and verified.

Procedure

Audit Staff	<ol style="list-style-type: none">1. Ascertain that all questions and comments from the Supervising Auditor and Independent Report Reviewer have been resolved and documented.2. Ascertain that all audit report draft changes have been approved by the City Auditor and incorporated in the audit report draft.
Executive Assistant to the City Auditor and the Administrative Support Unit	<ol style="list-style-type: none">3. Ascertain that the audit report draft distribution list is complete.4. Finalize and distribute the audit report draft.
Audit Staff	<ol style="list-style-type: none">5. File the audit report draft in the audit workpapers.

Section 5) Procedure: EXIT CONFERENCE (Milestone M-28)

Purpose

To provide the responsible officials of the audited program the opportunity to state their views concerning the auditors' findings, conclusions, and recommendations, as well as corrections planned.

Background

To ensure that the audit report is fair, complete, and objective, the City Auditor provides the auditee an audit report draft and invites auditee representatives to the Exit Conference in which the auditee representatives can state their views concerning the audit findings, conclusions, and recommendations. At this meeting, the auditee representatives will also explain the corrections they plan to do in response to the audit findings and recommendations.

Procedure

Executive Assistant to the City Auditor	1. Schedule the exit conference.
City Auditor, Supervising Auditor, Audit Staff, Auditee Representatives	2. Hold the exit conference. The Auditee Representatives state their views concerning the auditors' findings, conclusions, and recommendations, as well as corrections planned.
Audit Staff	3. Summarize the discussions at the Exit Conference.
City Auditor, Supervising Auditor, and Audit Staff	4. Make the agreed-upon changes to the audit report, if any.
Audit Staff	5. Prepare additional workpapers as necessary to document audit report changes. 6. File all approved audit report changes, Exit Conference summary, and revised audit report draft in the audit workpapers.

Section 6) Procedure: REVISED DRAFT TO CITY AUDITOR (Milestone M-30)

Purpose

To ascertain that the audit report meets City Auditor standards.

Background

The audit report should (1) communicate the results of audits to officials at all levels of government, (2) make the results less susceptible to misunderstanding, (3) make the results available for public inspection, and (4) facilitate follow-up to determine whether appropriate corrective actions have been taken.

Procedure

Executive Assistant to the City Auditor and the Administrative Support Unit	1. Submit the revised audit report draft to the audit staff and the Supervising Auditor.
Audit Staff and Supervising Auditor	2. Ascertain that all City Auditor-approved corrections have been incorporated in the revised audit report draft and that the audit report meets the reporting standards described in the U.S. General Accounting Office's <i>Government Auditing Standards</i> . 3. Submit the revised audit report draft to the City Auditor.
City Auditor	4. Review and approve the revised audit report draft.

Section 7) Procedure: DRAFT REPORT TO AUDITEE (Milestone M-33)

Purpose

To provide the auditee the opportunity to review the final audit report draft and prepare a written response to the audit findings and conclusion.

Background

The final audit report draft should include all the changes agreed upon during the exit conference.

Procedure

Audit Staff	1. Ascertain that the final audit report draft includes all the changes agreed upon during the exit conference.
Executive Assistant to the City Auditor and the Administrative Support Unit	2. Ascertain that the audit report draft distribution list is complete. 3. Finalize and distribute the audit report draft.
Audit Staff	4. File the audit report draft in the audit workpapers.

Section 8) Procedure: DRAFT REPORT CONFERENCE (IF REQUESTED) (Milestone M-34)

Purpose

To provide the responsible officials of the audited program an opportunity to state their views concerning the auditors' findings, conclusions, and recommendations, as well as corrections planned.

Background

To ensure that the audit report is fair, complete, and objective, the City Auditor provides the auditee the final audit report draft and the auditee may request a report draft conference to address additional concerns regarding the audit findings and recommendations.

Procedure

Auditee	1. Request the report draft conference.
City Auditor, Supervising Auditor, Audit Staff, Auditee Representatives	2. Hold the draft report exit conference. The Auditee Representatives state their views concerning the auditors' findings, conclusions, and recommendations, as well as corrections planned.
Audit Staff	3. Summarize the discussions at the Report Draft Conference.
City Auditor, Supervising Auditor, and Audit Staff	4. Make the agreed-upon changes to the audit report, if any.
Audit Staff	5. Prepare additional workpapers as necessary to document audit report changes. 6. File all approved audit report changes, Report Draft Conference summary, and revised audit report draft in the audit workpapers.

Section 9) Procedure: AUDITEE/CITY MANAGER RESPONSE (Milestone M-35)

Purpose

To include in the audit report a written response from the auditee and the City Manager concerning the audit findings, conclusions, and recommendations.

Background

Including the views of responsible officials produces a report that shows not only what was found and what the auditors think about it but also what the responsible persons think about it and what they plan to do about it. This will ensure that a report is fair, complete, and objective.

Procedure

Auditee Management	1. Prepare a written response to the audit findings and recommendations. Submit written response to the City Manager's Office.
City Manager's Representative	2. Review and approve the Auditee Management's response. Forward the approved response to the City Auditor.
City Auditor, Supervising Auditor, and Audit Staff	3. Review the auditee response. Prepare a rebuttal, if needed.
Audit Staff	4. Prepare additional workpapers as necessary to support statements in the rebuttal to the auditee response. 5. File auditee response and City Auditor rebuttal in the audit workpapers.

Section 10) Procedure: FINAL REPORT (Milestone M-36)

Purpose

To ascertain that the audit report is complete, including the auditee response and the City Auditor's rebuttal, if applicable, and distributed to all parties concerned, as required by Government Auditing Standards.

Background

According to Government Auditing Standards, "Written audit reports are to be submitted by the audit organization to the appropriate officials of the auditee and to the appropriate officials of the organizations requiring or arranging for the audits, including external funding organizations, unless legal restrictions prevent it. Copies of the report should also be sent to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive such reports. Unless restricted by law or regulation, copies should be made available for public inspection."

Procedure

City Auditor, Supervising Auditor, and Audit Staff	1. Ascertain that the audit report is complete, including the auditee response and the City Auditor's rebuttal, if applicable.
Executive Assistant to the City Auditor and the Administrative	2. Ascertain that the audit report distribution list is complete. 3. Arrange for final proofreading.

Support Unit	<ol style="list-style-type: none">4. Bind the audit report in the City Auditor blue covers.5. Schedule the presentation of the audit report in the Finance Committee.6. Prepare summaries, charts, and other audio-visual materials for the Finance Committee presentation.7. Make sufficient copies of the audit report to fill requests from the public.
City Auditor, Supervising Auditor, and Audit Staff	<ol style="list-style-type: none">8. Present the audit report at the scheduled Finance Committee meeting.
Audit Staff	<ol style="list-style-type: none">9. Obtain a copy of the Public Safety, Finance, Strategic Support Committee minutes for the meeting at which the audit report was presented.10. File the minutes in the audit workpapers to document audit report presentation.